

III. TRADE IN COMMERCIAL SERVICES BY CATEGORY

The Highlights

▶ Transportation services

China records impressive growth

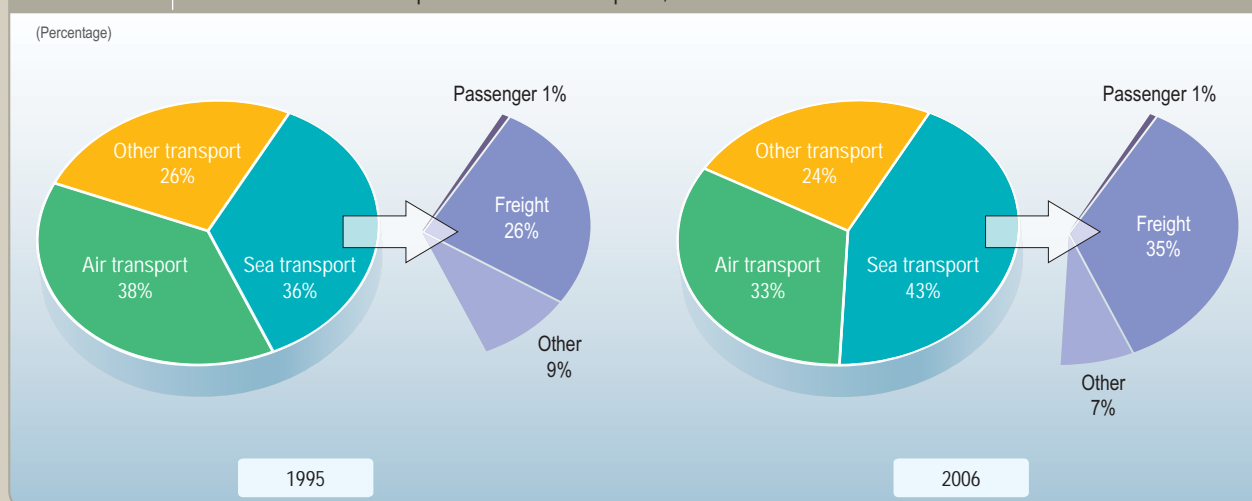
Exports of world transportation services reached \$750 billion in 2007, an increase of 19 per cent, following a 9 per cent rise in 2006. Rising fuel prices and the inability of some major shipping routes to meet demand continued to have a significant effect on transportation costs. According to industry sources in the airline industry, fuel costs accounted for 29 per cent of operating expenses in 2007 compared with 14 per cent in 2003. In the shipping sector, the cost of fuel for a large container ship accounted for 63 per cent of operating expenses, compared with 33 per cent three years earlier.

Sea transport accounted for 43 per cent of exports of world transportation services in 2006, while airborne freight accounted for only 7 per cent. World seaborne freight services have increased and currently represent more than four-fifths of sea transport services.

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Chart III.1 Structure of world transportation services exports, 1995 and 2006



In 2007, the European Union, the United States and Japan remained the leading exporters and importers of transportation services. China became the fifth-largest world exporter of transportation services, recording \$31.3 billion of exports. The Chinese transportation sector has recorded impressive growth since 2000. Exports have grown by 36 per cent on average per year, with a peak of 49 per cent in 2007. In 2007, Hong Kong China, the United States and the European Union were China's main export markets. However, China remains a net importer of transportation services.

Chart III.2 China – Exports and imports of sea freight transport services, 2000-2007



Sea freight represents the vast majority of China's trade in of transportation services (63 per cent of exports and 81 per cent of imports). In 2007, sea freight totalled \$19.8 billion, a 59 per cent increase. This reflects the rapid development of China's trade infrastructure in recent years. China has six of the top 20 container terminals in the world. By 2006, there were 12 ports in China with the capacity to handle over 100 million tons of cargo. Overall, China's handling of freight through its ports increased by 14.8 per cent in 2006. The number of containers handled in Chinese ports increased by 23.8 per cent. This represents around 20 per cent of world traffic for container vessels in 2006.

▶▶ Travel

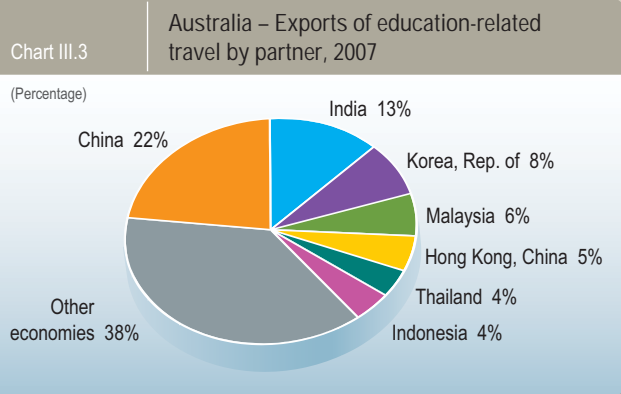
International travel receipts increase, with Australia recording high growth in education-related travel

International travel continued to increase in 2007 despite rising costs and lower disposable income in many developed economies. The number of international tourists reached 903 million (an increase of 6.6 per cent) and international travel receipts totalled \$855 billion, a rise of 14 per cent. The leading travel exporters continued to be the European Union and the United States, accounting for 57 per cent of total exports. However, the most rapid export and import growth was in Russia and Australia.

The travel industry is a major component of export diversification for many developing countries. In 2007, travel receipts for developing countries reached \$285 billion, around 33 per cent of their total exports of commercial services. The least-developed countries (LDCs), in particular, are an increasingly attractive destination for international tourists. Tourism in the LDCs has grown by an annual average of more than 13 per cent since 2000.

Australia has become the fourth-largest world exporter of travel and the second among Asian countries behind China. In 2007 Australia's travel exports grew by 25 per cent. Education-related travel accounted for 46 per cent of the country's total travel exports in 2007, becoming the most important service category exported by the economy.

In 2007, overseas student enrolments were over 455,000, a 66 per cent increase compared with 2002. Foreign students spent over \$10 billion in Australia, of which 39 per cent was on tuition fees while the remainder was on food, accommodation, local transport and leisure. The students are mostly from Asian countries, with China and India accounting for 35 per cent of total international enrolment.



▶▶ Other commercial services

The EU holds a particularly large share

“Other commercial services” continues to be the largest component of commercial services exports. Growing by 20 per cent in 2007 to \$1,685 billion, these services accounted for 51 per cent of the overall total for commercial services. In 2007 the European Union accounted for more than half of the total value of other commercial services exported to the world. “Other business services” and financial services accounted for 67 per cent of EU exports. The United States continued to be the second-largest exporter. However, its share of world exports declined to 15 per cent in 2007 from 20 per cent in 2000. The highest export and import growth was recorded by China and Russia.

Building infrastructure

World construction exports totalled \$60 billion in 2006, representing about 4 per cent of other commercial services exports. Since 2000, construction exports have grown by an annual average of 11 per cent. The European Union, Japan, the United States, Russia and China account for approximately 80 per cent of world construction exports.

In 2006, growth of exports of construction from the European Union and China were below the world average. In contrast, Japan recorded growth of 24 per cent, while Russia and the United States registered an increase of around 40 per cent. Russia's construction exports have grown by an annual average of 53 per cent since 2000. With exports of \$3.5 billion, construction was the second-largest exported other commercial service in Russia in 2007. Russian construction companies are active in building oil production facilities and power plants abroad. In 2006, more than one-third of construction work was carried out in EU countries, (mainly Germany, Austria and Cyprus), Turkey, Japan and Tajikistan.

Japan's construction sector is particularly active in the Middle East, undertaking a number of projects in the United Arab Emirates and Saudi Arabia where the demand for infrastructure, hotels and industrial buildings is very high. Asian economies, especially Thailand, Chinese Taipei, Indonesia and Viet Nam, represented one-third of Japan's construction exports in 2007.

Chart III.4 World exports of construction by economy, 2006

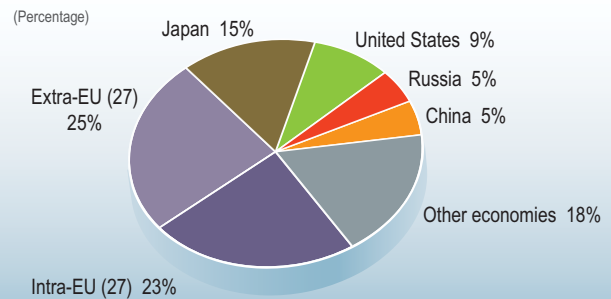


Chart III.5 Russian Federation – Exports of construction, 2007

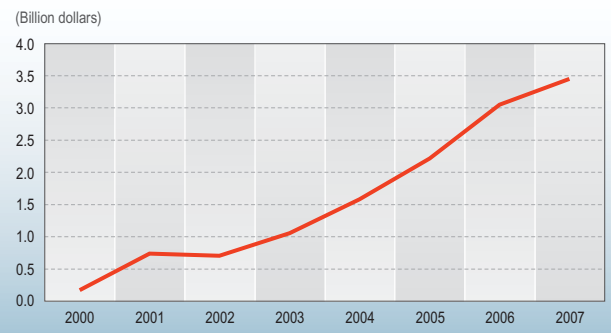
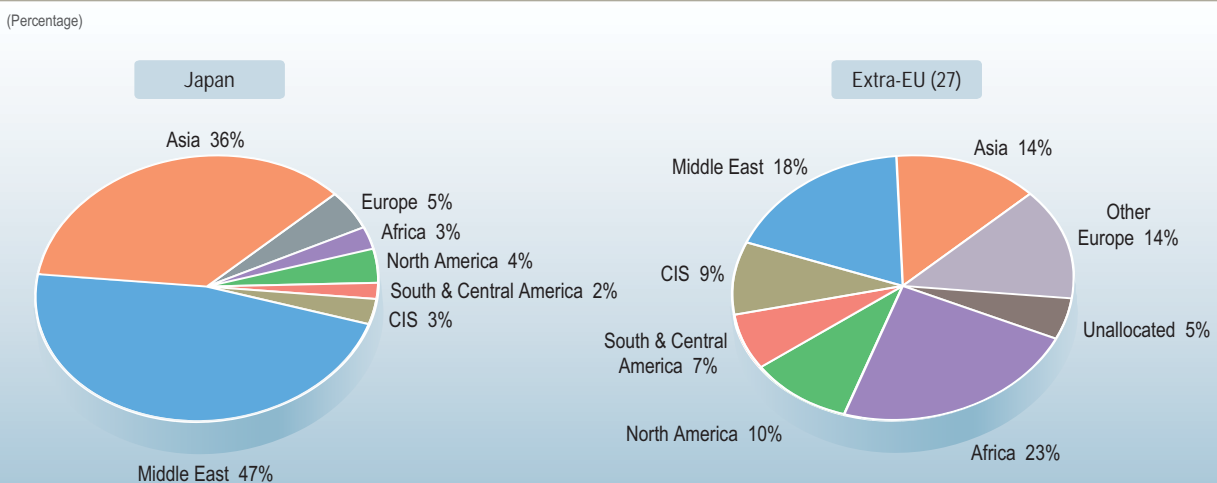


Chart III.6 Japan and Extra-EU(27) – Exports of construction by destination, 2006



Extra-EU(27) exports are less concentrated. Some 23 per cent are destined for Africa (of which, one-third go to Nigeria) and 18 per cent to the Middle East. Much of the construction work carried out in Africa and Central Asian countries is related to the energy and tourism sectors. Asian economies (mainly China and India) attract 14 per cent of construction undertaken by EU construction enterprises. Germany is the leading supplier of construction, accounting on average for over 40 per cent of EU exports.

In 2006, Chinese building companies were engaged in Asian and African countries, working on the construction of electric power plants, oil pipelines, housing and other infrastructure projects.

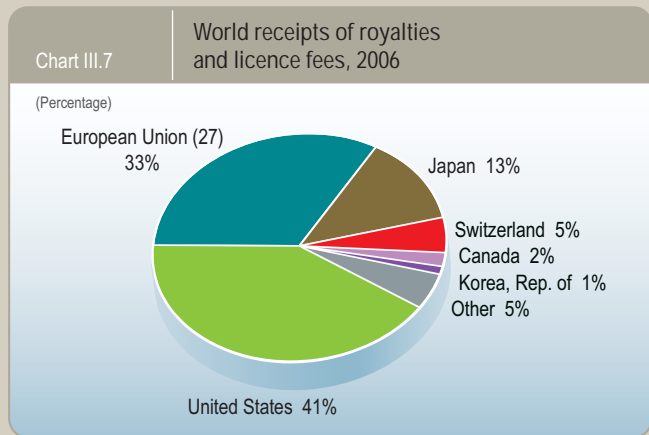
These figures do not take into account the large amount of construction services provided through foreign affiliates. Sales of construction in foreign countries by affiliates of U.S. firms reached \$13.9 billion in 2005. By comparison, the value of construction exports in the U.S. Balance of Payments was only \$3.8 billion in 2005. Within the European Union, Germany's sales of construction through foreign affiliates reached \$16.2 billion in 2005, a 12 per cent increase. Sales of construction by the affiliates of Japanese construction enterprises established abroad totalled around \$4.4 billion in 2004.

»» Royalties and licence fees

Transactions are concentrated in developed economies

World receipts of royalties and licence fees amounted to \$155 billion in 2006. This represents about 11 per cent of world exports of "other commercial services". World receipts have grown by an annual average of 10 per cent since 2000. However, in recent years these growth rates have been declining, from 29 per cent in 2004 to 12 per cent in 2005 and 5 per cent in 2006. In 2006, US national authorities registered 173,000 patents attributed to residents and non-residents. During the same period trademarks registered in the United States amounted to 154,000 while the European Union registered 71,000.

EU receipts rose twice as fast as North America's, resulting in North America's share dropping from 54 to 43 per cent. Nevertheless, in 2006 the major recipient of royalties and licence fees remained the United States, followed by the EU(27), Japan, Switzerland, Canada and the Republic of Korea, which collectively amassed approximately 95 per cent of world receipts. Three-quarters of transactions were carried out between these countries (including intra-EU(27)). The largest payments within the EU were made by Ireland, with half going to the United States and nearly a third to other EU countries, mainly the Netherlands.



»» Business, professional and technical services

A dynamic sector

Business, professional and technical services are among the most thriving services sectors in developed countries. These services range from legal to management services, and from architectural to advertising services. In 2005 there were 3.7 million enterprises engaged in the production of these services in the EU(27), employing over 18 million people and generating \$1,628 billion in turnover and \$842 billion in value added, more than 6 per cent of GDP. With around \$257 billion worth of exports in 2006, the European Union was the leading world exporter of business, professional and technical services. Extra-EU (27) exports represented \$121 billion. Architectural engineering and other technical consultancy services (19



per cent), legal, accounting, management, consulting and public relations services (18 per cent) and research and development services (16 per cent) were the largest services sectors exported to extra-EU countries. The United States and Switzerland were the main export markets, absorbing more than half of the exports bound for non-EU states.

The United States is the second-largest exporter of business, professional and technical services, with \$61 billion worth of exports. In 2006, over 16 million people were employed in this sector in the United States, more than in manufacturing, generating \$1,414 billion in value added, around 11 per cent of GDP.

In certain developing economies such as India and Brazil, business, professional and technical services have become one of the main export sectors. In 2006, they accounted for 42 per cent of Brazil's total commercial services exports. In 2007, they accounted for 45 per cent of Brazil's total commercial services exports, totalling \$10 billion. Architectural, engineering and other technical consultancy services was the largest sector, followed by legal services.

▶▶ **Audiovisual services**

EU exports decline

In 2006, EU exports of audiovisual services decreased by 9 per cent. Since 2004, exports have declined by an annual average of 8 per cent.

Within the European Union, the largest exporters of audiovisual services are the United Kingdom and France, which together account for 41 per cent of EU audiovisual services exports. The United Kingdom's receipts from these services declined by 7 per cent in 2006, partly due to lower receipts for the United Kingdom film industry. French exports of audiovisual services lost 32 percentage points. Receipts from French films distributed in other countries decreased by 15 per cent as audience numbers declined.

